

# Fact Sheet

## CORPORATE GOVERNANCE

California Public Employees' Retirement System • 400 P Street • Sacramento, California 95814

### CalPERS 2004 Focus List Company At-A-Glance

**Royal Dutch Shell Petroleum (RD)** – The Hague, The Netherlands

**CalPERS' Holdings:**

Royal Dutch Petroleum (US exchange): 24,600 shares (.001%)

Royal Dutch Petroleum (Amsterdam exchange) 6.58 million shares (0.32%)

Shell Transport (United Kingdom exchange) 31.31 million shares (0.32%)

Total Return Performance for Selected Periods Ending 03/31/04

Time Period Ended 3/31/04	Stock	Wilshire 2500 Index	S&P 500 Index	S&P 500 Energy Index
5 years	6.29%	-2.24%	-5.85%	36.63%
3 years	-5.07%	6.51%	1.91%	12.24%
1 year	22.24%	37.86%	35.10%	31.19%

Source: Bloomberg

#### The Problems:

##### Performance

- Stock has underperformed for the last 1,3 & 5 years relative to peers ended 3/31/04. Concerns over apparent inadequacy of management and board controls. Concerns over Shell's disclosure that its reserve accounting was flawed. This resulted in a reduction in proved reserves of 25%.

##### Governance

- Dominant position of Royal Dutch within the context of its joint venture with Shell Transport, and its implications for Shell Transport directors and shareholders. Royal Dutch controls 6 of the 9 board seats at each of Shell Petroleum NV and Shell Petroleum Limited.
- The exclusive right of incumbent Royal Dutch supervisory and management board members (through control of the Company's priority shares) to nominate board representatives at Royal Dutch and to reject nominations by shareholders. Mechanism is self-perpetuating and is inconsistent with internationally accepted principles of good governance.
- Apparent absence of external competition to fill executive vacancies at the highest level that is perpetuated by this mechanism – with no shareholder involvement.
- Large multi-national group being run by committee without a group chief executive.

#### What CalPERS Wants Royal Dutch Shell to do:

- Establish a Board-level Committee comprised of independent directors from Royal Dutch & Shell Transport to undertake a rigorous and wide-ranging re-examination of the Group and how it is managed. Develop a charter with objectives, committee members, tasks and feedback timetables. This Board level Committee should address the (1) role of a Group CEO, (2) management succession, (3) nomination of independent directors and succession process of the Board, and (4) composition of the Group's boards.
- Establish a policy that allows shareholders open access and nominations to the Board.
- Remove reserves from compensation "Scorecards." Reinforce the necessity for compliant reserves bookings.
- Group Disclosure Committee should be enhanced with Group Legal Director and quarterly access to the Committee of Managing Directors.
- Develop and foster a culture of compliance, ethics and appropriate conduct.

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